

FIRST REGULAR SESSION
SENATE COMMITTEE SUBSTITUTE FOR
SENATE BILL NO. 437
97TH GENERAL ASSEMBLY

Reported from the Committee on Education, April 18, 2013, with recommendation that the Senate Committee Substitute do pass.

TERRY L. SPIELER, Secretary.

1808S.05C

AN ACT

To repeal section 163.191, RSMo, and to enact in lieu thereof nine new sections relating to higher education.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Section 163.191, RSMo, is repealed and nine new sections
2 enacted in lieu thereof, to be known as sections 163.191, 173.1500, 173.1505,
3 173.1510, 173.1515, 173.1520, 173.1525, 173.1530, and 173.1535, to read as
4 follows:

163.191. 1. Each year public community colleges in the aggregate shall
2 be eligible to receive from state funds, if state funds are available and
3 appropriated, an amount [up to but not more than fifty percent] of the state
4 community colleges' planned operating costs as determined by the [department
5 of] higher education **funding model under sections 173.1500 to 173.1535**. As
6 used in this subsection, the term "year" means from July first to June thirtieth
7 of the following year. As used in this subsection, the term "operating costs"
8 means all costs attributable to current operations, including all direct costs of
9 instruction, instructors' and counselors' compensation, administrative costs, all
10 normal operating costs and all similar noncapital expenditures during any year,
11 excluding costs of construction of facilities and the purchase of equipment,
12 furniture, and other capital items authorized and funded in accordance with
13 subsection 2 of this section. Operating costs shall be computed in accordance
14 with accounting methods and procedures to be specified by the department of
15 higher education. The department of higher education shall review all
16 institutional budget requests and prepare appropriation recommendations
17 annually for the community colleges under the supervision of the

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

18 department. The department's budget request shall include a recommended level
19 of funding. Distribution of appropriated funds to community college districts
20 shall be in accordance with the [community college resource allocation
21 model. This model shall be developed and revised as appropriate cooperatively
22 by the community colleges and the department of higher education. The
23 department of higher education shall recommend the model to the coordinating
24 board for higher education for their approval. The core funding level for each
25 community college shall initially be established at an amount agreed upon by the
26 community colleges and the department of higher education. This amount will
27 be adjusted annually for inflation, limited growth, and program improvements in
28 accordance with the resource allocation model starting with fiscal year 1993]
29 **higher education funding model established in sections 173.1500 to**
30 **173.1535, using the calculation in subsection 1 of section 173.1515, with**
31 **each community college's appropriation calculated separately.** The
32 department of higher education shall request new and separate state aid funds
33 for any new districts for their first six years of operation. The request for the
34 new districts shall be based upon the same level of funding being provided to the
35 existing districts, and should be sufficient to provide for the growth required to
36 reach a mature enrollment level. [The department of higher education will be
37 responsible for evaluating the effectiveness of the resource allocation model and
38 will submit a report to the speaker of the house of representatives and president
39 pro tem of the senate by November 1997, and every four years thereafter.]

40 2. In addition to state funds received for operating purposes, each
41 community college district shall be eligible to receive an annual appropriation,
42 exclusive of any capital appropriations, for the cost of maintenance and repair of
43 facilities and grounds, including surface parking areas, and purchases of
44 equipment and furniture. Such funds shall not exceed in any year an amount
45 equal to ten percent of the state appropriations, exclusive of any capital
46 appropriations, to community college districts for operating purposes during the
47 most recently completed fiscal year. The department of higher education may
48 include in its annual appropriations request the necessary funds to implement
49 the provisions of this subsection and when appropriated shall distribute the funds
50 to each community college district as appropriated. The department of higher
51 education appropriations request shall be for specific maintenance, repair, and
52 equipment projects at specific community college districts, shall be in an amount
53 of fifty percent of the cost of a given project as determined by the coordinating

54 board and shall be only for projects which have been approved by the coordinating
55 board through a process of application, evaluation, and approval as established
56 by the coordinating board. The coordinating board, as part of its process of
57 application, evaluation, and approval, shall require the community college district
58 to provide proof that the fifty-percent share of funding to be defrayed by the
59 district is either on hand or committed for maintenance, repair, and equipment
60 projects. Only salaries or portions of salaries paid which are directly related to
61 approved projects may be used as a part of the fifty-percent share of funding.

62 3. School districts offering two-year college courses pursuant to section
63 178.370 on October 31, 1961, shall receive state aid pursuant to subsections 1 and
64 2 of this section if all scholastic standards established pursuant to sections
65 178.770 to 178.890 are met.

66 4. In order to make postsecondary educational opportunities available to
67 Missouri residents who do not reside in an existing community college district,
68 community colleges organized pursuant to section 178.370 or sections 178.770 to
69 178.890 shall be authorized pursuant to the funding provisions of this section to
70 offer courses and programs outside the community college district with prior
71 approval by the coordinating board for higher education. The classes conducted
72 outside the district shall be self-sustaining except that the coordinating board
73 shall promulgate rules to reimburse selected out-of-district instruction only where
74 prior need has been established in geographical areas designated by the
75 coordinating board for higher education. Funding for such off-campus instruction
76 shall be included in the appropriation recommendations, shall be determined by
77 the general assembly and shall continue, within the amounts appropriated
78 therefor, unless the general assembly disapproves the action by concurrent
79 resolution.

80 5. A "community college" is an institution of higher education deriving
81 financial resources from local, state, and federal sources, and providing
82 postsecondary education primarily for persons above the twelfth grade age level,
83 including courses in:

- 84 (1) Liberal arts and sciences, including general education;
85 (2) Occupational, vocational-technical; and
86 (3) A variety of educational community services.

87 Community college course offerings lead to the granting of certificates, diplomas,
88 and/or associate degrees, but do not include baccalaureate or higher degrees.

89 6. When distributing state aid authorized for community colleges, the

90 state treasurer may, in any year if requested by a community college, disregard
91 the provision in section 30.180 requiring the state treasurer to convert the
92 warrant requesting payment into a check or draft and wire transfer the amount
93 to be distributed to the community college directly to the community college's
94 designated deposit for credit to the community college's account.

**173.1500. As used in sections 173.1500 to 173.1535, unless the
2 context requires otherwise, the following terms shall mean:**

3 **(1) "Associate's institution", an institution with a Carnegie
4 classification of associate's;**

5 **(2) "Baccalaureate institution", an institution with a Carnegie
6 classification of baccalaureate college;**

7 **(3) "Carnegie classification", an institutional classification coding
8 structure developed by the Andrew W. Carnegie Foundation for the
9 advancement of teaching, including updates made in 2010;**

10 **(4) "Core operating expenditures", total expenditures for the
11 essential education activities of the institution, which shall include the
12 institution's expenditures for academic support, institutional support,
13 instruction, public service, research, and student services;**

14 **(5) "Headcount", the sum of students enrolled for credit during
15 a twelve-month period with each student counted only once during the
16 reporting period, regardless of when the student enrolled;**

17 **(6) "Institution" or "institution of higher education" or "public
18 institution" or "public institution of higher education", any college or
19 university established pursuant to chapter 172, chapter 174, chapter
20 175, sections 178.631 to 178.640, or sections 178.770 to 178.891;**

21 **(7) "Integrated Postsecondary Education Data System" or
22 "IPEDS", the system of interrelated educational data surveys reported
23 annually to the National Center for Education Statistics of the United
24 States Department of Education by every institution participating in
25 the federal student financial aid programs;**

26 **(8) "Local revenue", funds received by a community college from
27 its imposition of a tax on property within the community college's
28 taxing district under section 178.800;**

29 **(9) "Master's classified institution", an institution with a Carnegie
30 classification of master's college or university;**

31 **(10) "Operating budget estimate", the dollar amount derived from
32 the calculation model in section 173.1515, containing the calculated**

33 operating expenditures and performance funding for which an
34 institution is eligible under section 173.1520, which form the basis for
35 the line item operating appropriations for a public institution;

36 (11) "Other institutional expenditures", expenditures which are
37 not included in core operating expenditures and therefore not directly
38 appropriated for through the major line item operating appropriation,
39 including but not limited to scholarships, auxiliary enterprises,
40 hospital services, and independent operations;

41 (12) "Peer comparison group", the public institutions from the
42 peer states that are designated by the same Carnegie classification as
43 a Missouri institution's sector, with the exception of Linn State
44 Technical College;

45 (13) "Peer states", the group of ten states comprised of the five
46 states next higher than Missouri and the five states next lower than
47 Missouri, based on rank-ordering of all states according to the Bureau
48 of Economic Analysis based on the 2011 midyear population estimates
49 of the census data for the per capita personal income. The rank-
50 ordering of all states according to the Bureau of Economic Analysis
51 using midyear population estimates of the census data for the per
52 capita personal income shall be recalculated decennially based on the
53 previous census;

54 (14) "Pell threshold", the median value of the sector's peer
55 comparison group's rank ordered list of institutions' percentage of
56 students receiving a Pell grant;

57 (15) "Pell weight", the sum of one and the institution's value over
58 the Pell threshold;

59 (16) "Performance funding", that portion of the annual operating
60 budget estimate that is derived from applying the institutional
61 performance measures as approved by the coordinating board for
62 higher education to the percentage of funding designated by the
63 general assembly;

64 (17) "Research classified institution", an institution with a
65 Carnegie classification of a research university;

66 (18) "Sector", the designation of a public institution, based on
67 Carnegie classification, as associate's, baccalaureate, master's, or
68 research, with the exception of Linn State Technical College, which is
69 designated in the statewide technical education institution sector;

70 (19) "Sector specific modifier", the median of the rank ordered
71 list of institutions in a sector peer group using, for each institution, the
72 quotient of:

73 (a) Each institution's state appropriation; and

74 (b) The sum of academic support and institutional support and
75 instruction and public service and research and student services;

76 (20) "Standardized rate per credit hour", the median value of
77 each peer comparison group's rank ordered list of rates per credit hour
78 using the quotient of:

79 (a) Each peer institution's instruction expenditure; and

80 (b) The number of each institution's unweighted student credit
81 hours;

82 (21) "Weighted student credit hours", the product of an
83 institution's number of completed credit hours and the appropriate
84 weight assigned to such credit hours by section 173.1510.

 173.1505. 1. The public institutions of higher education shall be
2 categorized into sectors in the following manner:

3 (1) The associate's sector shall include the community colleges
4 and the West Plains campus of Missouri State University;

5 (2) The statewide technical education institution sector shall
6 include Linn State Technical College;

7 (3) The baccalaureate sector shall include Harris-Stowe State
8 University, Missouri Southern State University, and Missouri Western
9 State University;

10 (4) The master's sector shall include Lincoln University, Missouri
11 State University, Northwest Missouri State University, Southeast
12 Missouri State University, Truman State University, and the University
13 of Central Missouri; and

14 (5) The research sector shall include the University of Missouri.

15 2. If the Carnegie classification of the public institutions change,
16 the sectors identified in subsection 1 of this section shall be updated to
17 reflect the change in Carnegie classification.

18 3. The peer comparison group for Linn State Technical College
19 shall consist of peer institutions chosen by the coordinating board for
20 higher education nationwide from state supported institutions with
21 similar missions, degree programs, certificates, and credentials offered.

 173.1510. 1. All courses completed at a public institution of

2 higher education shall be weighted based on their discipline and level.

3 2. Disciplines shall be divided into clusters in the following
4 manner:

5 (1) Cluster 1 shall include:

6 (a) Basic skills;

7 (b) Citizenship activities;

8 (c) Communications, journalism and related programs;

9 (d) Communications technologies, communications technicians
10 and support services;

11 (e) English language and literature and letters;

12 (f) Family and consumer sciences and human sciences;

13 (g) Foreign languages, literature, and linguistics;

14 (h) Health-related knowledge and skills;

15 (i) History;

16 (j) Interpersonal and social skills;

17 (k) Leisure and recreational activities;

18 (l) Liberal arts and sciences, general studies and humanities;

19 (m) Mathematics and statistics;

20 (n) Parks, recreation, leisure and fitness studies;

21 (o) Personal and culinary services;

22 (p) Personal awareness and self-improvement;

23 (q) Philosophy and religious studies;

24 (r) Psychology;

25 (s) Security and protective services;

26 (t) Social sciences;

27 (u) Technology education and industrial arts;

28 (2) Cluster 2 shall include:

29 (a) Area, ethnic, cultural and gender studies;

30 (b) Business, management, marketing and related support
31 services;

32 (c) Education;

33 (d) Military technologies;

34 (e) Physical sciences;

35 (f) Reserve officers training (ROTC);

36 (g) Science technology and technicians;

37 (h) Theology and religious vocation;

38 (i) Visual and performing arts;

- 39 **(3) Cluster 3 shall include:**
40 **(a) Architecture and related services;**
41 **(b) Biological and biomedical sciences;**
42 **(c) Computer and information sciences and support services;**
43 **(d) Construction trades;**
44 **(e) Engineering technologies and technicians;**
45 **(f) Mechanic and repair technologies and technicians;**
46 **(g) Precision production;**
47 **(h) Public administration and social service professions;**
48 **(4) Cluster 4 shall include:**
49 **(a) Agriculture, agricultural operations and related sciences;**
50 **(b) Agricultural sciences;**
51 **(c) All other health professions and related sciences not**
52 **otherwise identified in this subdivision;**
53 **(d) Allied health and medical assisting;**
54 **(e) Library sciences;**
55 **(f) Multi- and interdisciplinary studies;**
56 **(g) Natural resources and conservation;**
57 **(h) Nursing;**
58 **(i) Pharmacy;**
59 **(j) Podiatric medicine (DPM);**
60 **(k) Rehabilitation and therapeutic professions;**
61 **(l) Transportation and materials moving;**
62 **(5) Cluster 5 shall include:**
63 **(a) Engineering; and**
64 **(b) Legal professions and studies;**
65 **(6) Cluster 6 shall include:**
66 **(a) Dentistry;**
67 **(b) Medicine (MD);**
68 **(c) Optometry (OD);**
69 **(d) Osteopathic medicine (DO);**
70 **(e) Veterinary medicine (DVM).**
71 **3. Course levels shall be divided in the following manner:**
72 **(1) Lower division;**
73 **(2) Upper division;**
74 **(3) Master's or specialist;**
75 **(4) First professional;**

76 **(5) Doctoral.**

77 **4. The classification of a course as lower division or upper**
78 **division shall be determined by the institution's classification and**
79 **numbering of such course and shall be subject to the review and**
80 **approval by the coordinating board for higher education.**

81 **5. Weights for courses in the lower division shall be:**

82 **(1) Cluster 1, 1.00;**

83 **(2) Cluster 2, 1.51;**

84 **(3) Cluster 3, 1.84;**

85 **(4) Cluster 4, 2.19;**

86 **(5) Cluster 5, 3.34.**

87 **6. Weights for courses in the upper division shall be:**

88 **(1) Cluster 1, 1.50;**

89 **(2) Cluster 2, 2.26;**

90 **(3) Cluster 3, 2.76;**

91 **(4) Cluster 4, 3.28;**

92 **(5) Cluster 5, 5.01.**

93 **7. Weights for courses at the master's or specialist level shall be:**

94 **(1) Cluster 1, 2.10;**

95 **(2) Cluster 2, 3.17;**

96 **(3) Cluster 3, 3.86;**

97 **(4) Cluster 4, 4.60;**

98 **(5) Cluster 5, 7.01.**

99 **8. Weights for courses at the first professional level shall be:**

100 **(1) Cluster 4, 5.48;**

101 **(2) Cluster 5, 8.35;**

102 **(3) Cluster 6, 10.02.**

103 **9. Weights for courses at the doctoral level shall be:**

104 **(1) Cluster 1, 3.00;**

105 **(2) Cluster 2, 4.53;**

106 **(3) Cluster 3, 5.52;**

107 **(4) Cluster 4, 6.57;**

108 **(5) Cluster 5, 10.02.**

109 **10. The coordinating board for higher education shall have**
110 **authority to assign weights to courses based on discipline for any**
111 **discipline that is not addressed by this section. The coordinating board**
112 **shall assign such weight through the promulgation of an administrative**

113 rule.

114 11. The coordinating board for higher education shall review the
115 disciplines, clusters, and weighting values every five years and shall
116 make recommendations to the general assembly on their revision in
117 academic year 2018-2019 and every five years thereafter.

173.1515. 1. The state share of the operating budget estimate for
2 institutions in all sectors shall be calculated as the product of:

3 (1) The sum of the institution's totals for academic support and
4 institutional support and instruction and public service and research
5 and student services; and

6 (2) The sector-specific modifier.

7 2. Academic support shall be calculated as the product of:

8 (1) The sum of instruction and public service and research; and

9 (2) An institution's sector peers' median percentage for academic
10 support expenditures relative to the sum of an institution's
11 expenditures for instruction and public service and research.

12 3. Institutional support shall be calculated as the product of:

13 (1) The sum of academic support and instruction and public
14 service and research and student services; and

15 (2) The sector peers' median percentage for institutional support
16 expenditures relative to expenditures in academic support, instruction,
17 public service, research, and student services.

18 4. Instruction shall be calculated as the product of:

19 (1) The standardized rate per credit hour for the sector in which
20 an institution is classified; and

21 (2) Weighted student credit hours; and

22 (3) The institution's Pell weight, if any.

23 5. Public service shall be calculated as the product of:

24 (1) The median of the institution's sector peers' public service
25 expenditures by headcount; and

26 (2) The institution's headcount.

27 6. Research shall be calculated as the product of:

28 (1) The sponsored research expenditures incurred by the
29 institution in the prior fiscal year; and

30 (2) Twenty-five-hundredths.

31 7. Student services shall be calculated as the product of:

32 (1) The median of student services expenditures by headcount

33 for an institution's sector peers; and

34 (2) The institution's headcount.

173.1520. 1. When the general assembly appropriates funds for
2 public institutions of higher education during the appropriations
3 process, ten percent of each institution's funding shall be earmarked
4 and designated as performance funding and shall be identified as a
5 separate line item under that institution in the higher education
6 appropriations bill.

7 2. Performance funds shall be directed into the "Higher
8 Education Performance Fund".

9 3. The coordinating board for higher education shall develop and
10 adopt institutional performance measures for each institution, in
11 collaboration with the institutions, by January 1, 2014, that shall be
12 used for purposes of this section. At least five institutional
13 performance measures shall be adopted for each institution. The
14 coordinating board shall update and revise the institutional
15 performance measures every five years beginning in 2019.

16 4. Annually, for an institution to receive the portion of its
17 funding that has been earmarked and designated as performance
18 funding, it shall satisfy the institutional performance measures adopted
19 by the coordinating board for higher education. If an institution
20 satisfies all of its institutional performance measures, the coordinating
21 board for higher education shall authorize the release of the full
22 amount of the institution's funding that has been earmarked and
23 designated as performance funding. If an institution satisfies at least
24 one, but not all, of its institutional performance measures, the
25 coordinating board for higher education shall authorize the release of
26 an amount of funds equal to the product of:

27 (1) The quotient of the number of institutional performance
28 measures satisfied by the institution and the total number of
29 institutional performances measures applicable to the institution; and

30 (2) The amount of the institution's funds earmarked and
31 designated as performance funding.

32 5. There is hereby created in the state treasury the "Higher
33 Education Performance Fund", which shall consist of money collected
34 under this section. The coordinating board for higher education shall
35 administer the fund. The state treasurer shall be custodian of the fund.

36 In accordance with sections 30.170 and 30.180, the state treasurer may
37 approve disbursements. The fund shall be a dedicated fund and, upon
38 appropriation, money in the fund shall be used solely for the
39 administration of this section. Any moneys remaining in the fund at
40 the end of the biennium shall revert to the credit of the general
41 revenue fund. The state treasurer shall invest moneys in the fund in
42 the same manner as other funds are invested. Any interest and moneys
43 earned on such investments shall be credited to the fund.

44 6. The coordinating board for higher education shall promulgate
45 rules and regulations to implement the provisions of sections 173.1500
46 to 173.1535.

47 7. Any rule or portion of a rule, as that term is defined in section
48 536.010 that is created under the authority delegated in this section
49 shall become effective only if it complies with and is subject to all of
50 the provisions of chapter 536, and, if applicable, section 536.028. This
51 section and chapter 536 are nonseverable and if any of the powers
52 vested with the general assembly pursuant to chapter 536, to review, to
53 delay the effective date, or to disapprove and annul a rule are
54 subsequently held unconstitutional, then the grant of rulemaking
55 authority and any rule proposed or adopted after August 28, 2013, shall
56 be invalid and void.

173.1525. 1. No operating appropriation for fiscal year 2015 for
2 any public institution of higher education calculated under sections
3 173.1500 to 173.1515 shall result in less than ninety-eight percent of the
4 amount appropriated for the institution in fiscal year 2014, excluding
5 any separate line items from the fiscal year 2014 appropriation.

6 2. No operating appropriation for any public institution of
7 higher education calculated under sections 173.1500 to 173.1515 for
8 fiscal year 2016 and subsequent fiscal years shall result in less than
9 ninety-eight percent of the previous fiscal year's amount appropriated
10 under sections 173.1500 to 173.1515 until such time as the operating
11 appropriation is equal to ninety-eight percent of the previous fiscal
12 year's amount appropriated under sections 173.1500 to 173.1515.

173.1530. 1. Figures for academic support, institutional support,
2 instruction, public service, research, and student services shall be
3 obtained from data reported to IPEDS.

4 2. Unless otherwise specified, calculations used for the higher

5 education funding model under sections 173.1500 to 173.1535 shall use
6 a three-year rolling average of final data obtained through IPEDS,
7 except for fiscal year 2015, for which an average of the final data for
8 fiscal years 2010 and 2011 shall be used.

9 3. If additional definitions are required when implementing or
10 administering the higher education funding model, definitions from
11 IPEDS may be used as needed.

173.1535. 1. The joint committee on education shall review the
2 functionality of the higher education funding model established under
3 sections 173.1500 to 173.1535 every five years beginning in academic
4 year 2018-2019. When conducting its review, the joint committee shall
5 consult with the coordinating board for higher education, the
6 department of higher education, at least two academic researchers, the
7 Midwest Higher Education Compact, and the Education Commission of
8 the States, and may consult with any education foundation that
9 regularly conducts research in the area of state funding for higher
10 education.

11 2. The joint committee shall submit a written report, with any
12 recommendations for legislative action or action by the coordinating
13 board for higher education, the department of higher education, or the
14 institutions, to the secretary of the senate, the chief clerk of the house
15 of representatives, and the coordinating board for higher education.

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